

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services performed by a designated department for other departments in the City on a cost reimbursement basis.

The concept of major funds introduced by GASB Statement No. 34 does not extend to internal service funds because they do not do business with outside parties. GASB Statement No. 34 requires that for the Statement of Activities, the net revenues or expenses of each internal service fund be eliminated by netting them against the operations of the other City departments which generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Assets.

However, internal service funds are still presented separately in the Fund Financial Statements, including the funds below:

- **Equipment Operations Fund** - This fund was established as an internal service fund through which City departments are charged for the use of vehicles and other equipment, based on actual operating costs. In addition, rates for vehicles and heavy equipment include a depreciation contribution factor to establish a reserve for future replacement.

- **Risk Management Fund** - This fund is used to account for the City's workers' compensation program, general liability and property insurance program, and group health program. In March, 1993 the City joined the Redwood Empire Municipal Insurance Fund for its workers' compensation and liability insurance programs, changing from self-insurance to a municipal; insurance pool. The City will continue to administer worker's compensation claims from prior to March, 1993, and existing liability claims. In August 2002, the City changed from its group health self-insurance program and joined three separate municipal insurance pools that are dependent on the respective employees' bargaining unit. Prior claims were paid through May 2003.

- **Information Technology Operations Fund** - This fund was established to develop a reserve account for information technology equipment and software and will be used to fund future equipment and major software replacements based on an analysis of future needs. Each department is assessed an annual amount that will provide adequate funds to replace current computer and related equipment. In addition, the fund provides City-wide support for all office automation equipment.

- **Redevelopment Administration Fund** - This fund was established to account for administrative services provided by the City to the Redevelopment Agency.

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
June 30, 2006

	<u>Equipment Operations</u>	<u>Risk Management</u>	<u>Information Technology Operations</u>
ASSETS			
Current assets:			
Cash and investments	\$ 1,708,755	\$ 597,030	\$ 406,647
Accounts receivable - net	3,298	1,781	
Interest receivable	19,906	7,012	4,750
Prepaid items		20,000	
	<u>1,731,959</u>	<u>625,823</u>	<u>411,397</u>
 Total current assets			
	<u>1,731,959</u>	<u>625,823</u>	<u>411,397</u>
 Capital Assets:			
Depreciable			
Buildings	429,246		
Improvements	42,399		
Equipment	5,462,750		1,311,369
	<u>5,934,395</u>		<u>1,311,369</u>
 Total depreciable capital assets			
	5,934,395		1,311,369
 Less accumulated depreciation	<u>(4,440,122)</u>		<u>(994,193)</u>
 Total capital assets, net			
	<u>1,494,273</u>		<u>317,176</u>
 Total Assets			
	<u>\$ 3,226,232</u>	<u>\$ 625,823</u>	<u>\$ 728,573</u>

<u>Redevelopment Administration</u>	<u>Totals</u>
\$ 458,584	\$ 3,171,016
	5,079
5,429	37,097
	20,000
<u>464,013</u>	<u>3,233,192</u>
	429,246
	42,399
	<u>6,774,119</u>
	7,245,764
	<u>(5,434,315)</u>
	<u>1,811,449</u>
<u>\$ 464,013</u>	<u>\$ 5,044,641</u>

(Continued)

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS (Continued)
June 30, 2006

	<u>Equipment Operations</u>	<u>Risk Management</u>	<u>Information Technology Operations</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	\$ 24,286	\$ 151,119	\$ 39,690
Claims and judgments payable		221,446	
Capital lease payable, current portion			63,536
	<u>24,286</u>	<u>372,565</u>	<u>103,226</u>
Total current liabilities			
	<u>24,286</u>	<u>372,565</u>	<u>103,226</u>
Noncurrent Liabilities:			
Capital lease payable			131,465
Compensated absences	26,576		10,025
	<u>26,576</u>		<u>141,490</u>
Total noncurrent liabilities			
	<u>26,576</u>		<u>141,490</u>
Total Liabilities			
	<u>50,862</u>	<u>372,565</u>	<u>244,716</u>
NET ASSETS			
Investment in capital assets, net of related debt	1,494,273		122,175
Unrestricted	1,681,097	253,258	361,682
	<u>1,681,097</u>	<u>253,258</u>	<u>361,682</u>
Total Net Assets			
	<u>\$ 3,175,370</u>	<u>\$ 253,258</u>	<u>\$ 483,857</u>

Redevelopment Administration	Totals
\$ 26,646	\$ 241,741
	221,446
	63,536
26,646	526,723
20,181	131,465
	56,782
20,181	188,247
46,827	714,970
417,186	1,616,448
	2,713,223
<u>\$ 417,186</u>	<u>\$ 4,329,671</u>

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2006

	Equipment Operations	Risk Management	Information Technology Operations
Operating Revenues:			
Charges for services	\$ 1,323,765	\$ 1,005,185	\$ 669,001
Other operating revenues	5,553	153,681	
	<u>1,329,318</u>	<u>1,158,866</u>	<u>669,001</u>
Total Operating Revenues			
	<u>1,329,318</u>	<u>1,158,866</u>	<u>669,001</u>
Operating Expenses:			
Maintenance and operation	871,937	88,329	540,089
Administration	52,750	20,508	7,729
Insurance costs and claims	36,259	1,395,402	
Depreciation	284,020		29,700
	<u>1,244,966</u>	<u>1,504,239</u>	<u>577,518</u>
Total Expenses			
	<u>1,244,966</u>	<u>1,504,239</u>	<u>577,518</u>
Operating Income (Loss)	<u>84,352</u>	<u>(345,373)</u>	<u>91,483</u>
Non-Operating Revenues (Expenses)			
Investment income (loss)	6,578	(5,003)	1,844
Interest expense			(10,783)
	<u>6,578</u>	<u>(5,003)</u>	<u>(8,939)</u>
Total Non-Operating Revenues (Expenses)			
	<u>6,578</u>	<u>(5,003)</u>	<u>(8,939)</u>
Change in Net Assets	<u>90,930</u>	<u>(350,376)</u>	<u>82,544</u>
Net Assets, July 1, 2005	3,118,167	603,634	401,313
Prior Period Adjustments	<u>(33,727)</u>		
Net Assets, July 1, 2005, Restated	<u>3,084,440</u>	<u>603,634</u>	<u>401,313</u>
Net Assets, June 30, 2006	<u>\$ 3,175,370</u>	<u>\$ 253,258</u>	<u>\$ 483,857</u>

Redevelopment Administration	Totals
\$ 1,052,126	\$ 4,050,077
	159,234
1,052,126	4,209,311
703,807	2,204,162
116,865	197,852
12,138	1,443,799
	313,720
832,810	4,159,533
219,316	49,778
(5,632)	(2,213)
	(10,783)
(5,632)	(12,996)
213,684	36,782
203,502	4,326,616
	(33,727)
203,502	4,292,889
\$ 417,186	\$ 4,329,671

CITY OF EUREKA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the Fiscal Year Ended June 30, 2006

	Equipment Operations	Risk Management
Cash Flows from Operating Activities:		
Receipts from customers/interfund charges	\$ 1,326,756	\$ 1,158,057
Payments to suppliers and users	(662,833)	(1,380,795)
Payments to employees	(334,951)	
Net Cash Provided (Used) by Operating Activities	<u>328,972</u>	<u>(222,738)</u>
Cash Flows from Capital and Related Financing Activities:		
Principal payments - long-term debt		
Interest paid		
Acquisitions of Capital assets/ adjustments	(287,985)	
Net Cash Used by Capital and Related Financing Activities	<u>(287,985)</u>	
Cash Flows from Investing Activities:		
Interest received	5,729	(1,428)
Net Cash Provided (Used) by Investing Activities	<u>5,729</u>	<u>(1,428)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	46,716	(224,166)
Cash and Cash Equivalents, July 1, 2005	<u>1,662,039</u>	<u>821,196</u>
Cash and Cash Equivalents, June 30, 2006	<u>\$ 1,708,755</u>	<u>\$ 597,030</u>
Cash and Investments on Combining Statement of Net Assets	<u>\$ 1,708,755</u>	<u>\$ 597,030</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	\$ 84,352	\$ (345,373)
Adjustments to Reconcile Operating Income (Loss) to Net Cash provided (used) by operating activities:		
Depreciation	284,020	
(Increase) Decrease in Operating Assets:		
Accounts receivable	(2,562)	(809)
Increase (Decrease) in Operating Liabilities:		
Claims and judgments payable		131,001
Accounts payable	(29,646)	(7,557)
Compensated absences	(7,192)	
Net Cash Provided (Used) by Operating Activities	<u>\$ 328,972</u>	<u>\$ (222,738)</u>

Information Technology Operations	Redevelopment Administration	Totals
\$ 669,001	\$ 1,052,126	\$ 4,205,940
(361,786)	(654,312)	(3,059,726)
(160,049)	(178,366)	(673,366)
147,166	219,448	472,848
(68,882)		(68,882)
(10,783)		(10,783)
(33,241)		(321,226)
(112,906)		(400,891)
1,329	(4,709)	921
1,329	(4,709)	921
35,589	214,739	72,878
371,058	243,845	3,098,138
\$ 406,647	\$ 458,584	\$ 3,171,016
\$ 406,647	\$ 458,584	\$ 3,171,016
\$ 91,483	\$ 219,316	\$ 49,778
29,700		313,720
		(3,371)
22,018	(8,397)	131,001
3,965	8,529	(23,582)
\$ 147,166	\$ 219,448	\$ 472,848

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